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COMMERCE & TRANSPORT DEPARTMENT

RESOLUTION

The 20th August, 2025

Subject: Proposal to extend additional incentives over and above Industrial Policy Resolution (IPR) of 2022 to anchor MRO to facilitate the establishment of MRO facilities at BPI Airport, Bhubaneswar

The Government of Odisha has approved the Proposal to extend additional incentives over and above Industrial Policy Resolution (IPR) of 2022 to anchor MRO to facilitate the establishment of MRO facilities in the State of Odisha.

A. Objective:

The Government of Odisha has given impetus to the development of the Aviation Sector in the State. Accordingly, the Odisha Civil Aviation Policy 2022 was formulated with an aim to create an Aviation ecosystem in the state that would immensely contribute to the development of the State's economy and generate high skilled employment to the Odia populace. As a part of this initiative, the State Government has approved the proposal for establishment of an anchor MRO facility at BPI Airport, Bhubaneswar by M/s. Air Works India (Engineering) Pvt. Ltd. a leading third party MRO services provider in the country. This will be one the largest MRO facilities in the Eastern part of India.

B. Background

i. The aviation Maintenance, Repair, and Overhaul (MRO) market globally, as per a NITI Aayog report, is expected to reach USD 117 billion by 2031, an increase of 70% from USD 68.5 billion in 2021[1]. Considering India's plans for increasing regional air connectivity, focusing both on passenger travel as well as cargo movement and the fleet expansion plans of India's domestic airliners, the MRO requirements for servicing such fleet would significantly rise in the coming years.

ii. India is poised to become the third largest aviation market after US and China. The airline operators in India currently have a fleet size of around 713 aircrafts and have placed orders for procuring additional 1,000+ aircrafts planned in the coming 5-10 years. In India, airlines spend around 12% to 15% of their overall revenues on maintenance, which becomes the second most expensive item after fuel (approx. 40% of operating expenses). The exponential rise in the aviation sector presents a strong case for the development of the MRO industry. The NITI Aayog report mentions that the MRO industry in India is expected to reach USD 4.0 billion by 2031, at a CAGR of 8.9%.

iii. Given the growth of the sector, the Government of India and many states are promoting MRO sector. The Government of Odisha has identified the MRO sector as a "**Thrust Sector**" under the Industrial Policy Resolution (IPR) of 2022. To promote the aviation ecosystem in the State, several initiatives have also been undertaken, including:

   a. Rolling out of comprehensive '**Civil Aviation Policy in 2022**'.
   b. Industrial Policy Resolution (IPR) of 2022 recognizing manufacturing in Aviation and MRO facilities as a '**Thrust Sector'**
   c. Development of '**New Destination Policy**' to promote air connectivity to Odisha's airports
   d. Promote regional air connectivity through Small Aircraft Scheme
   e. Development and maintenance of airports/ airstrips infrastructure including the greenfield international airport in Puri under B-MAAN Scheme.
   f. '**Establishment of Flight Training Organizations**' in the state.
   g. Establishment of Biju Patnaik Aviation Centre at Dhenkanal for development of Skill Development for Aviation Sector

iv. In the above context, geographical positioning of Odisha and the State's proximity to several major air routes create substantial potential for MRO services catering to domestic and international carriers.

C. Need assessment and Justification of the Additional Incentives

i. Despite persistent efforts by the government and slew of incentives covered under IPR, 2022, there are pertinent problems that a new entrant might face in the MRO industry, due to which there has been no traction from the private sector to invest in the MRO infrastructure in the State till date.

ii. One of the entry barriers for MRO facilities is lack of adequate infrastructure, where major airports in India have little or no provision of land for establishing MRO hangars

within the airport. This leaves MRO operators with limited choice to position themselves in proximity to the airports, compelling them to incur augmented logistics and operations costs. Additionally, MRO is a capital-intensive sector and therefore requires large capital expenditure for establishment and expansion.

iii. MRO industry thrives along with robust aerospace and aviation industries ecosystem including the Air connectivity hubs, Aerospace manufacturing, etc. which are also lacking in Odisha, currently.

iv. Establishment of MROs in Odisha would facilitate strategic advantages:

a. Industrial Growth: The MRO facility will act as a catalyst for the state's industrial development, attracting ancillary industries and stimulating the local economy. The Aviation sector has an economic multiplier effect of 3.25.

b. Employment Opportunities: The MRO sector will create a significant set of skilled and semi-skilled job opportunities, contributing to the state's employment rates and skill development with an employment multiplier effect of 6.1.

c. Skill Development Opportunities: With the introduction of the MRO facility, there will be a greater emphasis on skill development and training programs in the Aviation maintenance sector, equipping the local workforce with valuable competencies and enhancing their employability.

d. MRO Centre in East India: The establishment of new airports in Odisha and its neighboring States and ASEAN countries is anticipated to drive a substantial increase in demand for MRO facilities. Currently, the existing MRO infrastructure in India is nearing capacity, leading to a backlog in services. This presents a unique opportunity for Odisha to position itself as a premier MRO hub in Eastern India, catering not only to local needs but also to the growing demand from nearby regions. By capitalizing on this potential, Odisha can emerge as a key player in the MRO sector, fostering economic growth and enhancing connectivity in the region.

v. With the above background and based on the inputs from the industry, additional incentives from the Govt. of Odisha are needed over and above IPR 2022 to attract anchor MRO. Accordingly, the incentives pertaining to this sector need to be adjusted to meet the industry requirements.

D. Process/ approach followed to facilitate establishment of anchor MRO in Odisha

i. In alignment with the state's Industrial Policy Resolution (IPR), 2022 and Civil Aviation Policy, 2022, a round of discussions with key aviation stakeholders were conducted during the Utkarsh Odisha event 2025. These efforts were aimed to attract investment and facilitate the development of necessary MRO infrastructure. In addition, a

Stakeholders meeting was convened on dated 6th January, 2025 under the chairmanship of the Chief Secretary and concerns from the industry partners were taken.

ii. Accordingly, to facilitate the establishment of MRO in the State of Odisha, it was proposed to utilize the existing hanger infrastructure at Biju Patnaik International Airport (BPIA), Bhubaneswar to kick start the MRO facilities.

iii. To start with, it was proposed that the available facilities at Biju Patnaik International Airport (BPIA), Bhubaneswar to be hired from the Airports Authority of India on a long lease basis and be made available with attractive concessions to the DGCA approved MRO organizations to establish the anchor MRO hangar at Biju Patnaik International Airport (BPIA), Bhubaneswar. This approach would help in addressing the key entry barriers of availability of land for establishing MRO hangars within/ near the airport as well as reducing the large capital expenditure for initial establishment. This strategy will also leverage the availability of a separate apron and runway connectivity.

iv. Following it up, on dated 13th January, 2025, the Chairman, Airport Authority of India (AAI) was requested for allotment of Aircraft Hangar and Built-up Space/Annex Rooms for MRO Facility establishment at Biju Patnaik International Airport (BPIA), Bhubaneswar. The same was allotted to the Commerce & Transport Department by the Airports Authority of India from dated 1st June, 2025 for an initial period of 5 (five) years and extendable further as per the MRO policy of AAI.

v. With foregoing, to explore the interest of the established MRO organizations in the country and to encourage them to invest in Odisha, the C&T Department invited an Expression of Interest (EOI) on dated 31st January, 2025 to operate and maintain the hangar for providing MRO services at Biju Patnaik International Airport (BPIA), Bhubaneswar. In the EOI, the applicants were encouraged to go through the Civil Aviation Policy 2022 and various incentives provided in Odisha's IPR 2022 and submit their operational plan along with any specific support requirements from Government of Odisha.

vi. In response to the widely circulated EOI, the Department received applications from four (4) interested parties namely **M/s. Air Works India (Engineering) Pvt. Ltd.**, **M/s. Air India Engineering Services Pvt. Ltd., M/s. Abinash Engineering** and **M/s. Ghodawat Enterprises Pvt. Ltd. (Star Air).** After scrutiny, an assessment of each qualified organization was undertaken as per industry standards for selection of the. Additional incentives sought by the applicants were also listed.

vii. Following the due process, a meeting of the High-Level-Committee (HLC) constituted under the Chairmanship of Chief Secretary as per provisions under section 10(d) of the IPR 2022, was convened on dated 10th April, 2025. Considering the overall interest shown and the assessment made, the committee recommended the selection of M/s. Air Works which is India's largest, and oldest third-party MRO and is the country's leading aviation services provider.

viii. Following the specific asks from the anchor MRO, further HLC meetings were convened on dated 10th April, 2025, 16th May, 2025, 20th May, 2025 and 2nd August, 2025 to discuss and recommend the extension of additional incentives over and above those in the IPR 2022 and to finalize the MRO operator. Based on the detailed deliberations and incorporating the inputs from the members of the HLC, additional incentives and way forward were recorded.

ix. On dated 4th June, 2025, M/s. Air Works has submitted in-principal consent to undertake Operate and Maintain the hangar and associated facilities for MRO services at Biju Patnaik international Airport (BPIA).

x. Following Cabinet approval and receipt of the in-principal agreement from M/s. Air Works, the Commerce & Transport Department will issue a formal communication to the project proponent, clearly detailing the terms and conditions of the investment.

xi. The Commerce & Transport Department will develop comprehensive operational guidelines for the administration of the proposed additional incentives.

E. Financial Implications to the State over and above the IPR, 2022

i. In view of the additional incentives being proposed to attract private sector, the total financial implications INR **54.13 Crores** will be the additional financial implication (for the additional incentives) over and above the financial implication on account of normal incentives under IPR'2022, **for around 7 years period** which includes (i) Moratorium period on lease rentals (ii) Capital Investment Subsidy (iii) Employment Incentive (iv) Skill Development & Apprenticeship Incentive and (v) Certification Support with few assumptions.

This is based on various assumptions and any additional investment would require additional support. Same would be considered as additional investment within the framework of the proposed incentives would help the State to avail the benefits of the Sector.

ii. Details of estimated financial implications for additional incentives are provided in the table below –

#	Incentive Category	Assumption	Special Incentives	IPR 2022 Incentive
1	**Exemption from Payment of Lease Rental**	The Lease Rent will increase once every 3-years as below: • Year 1-3 - Rs 4.70 crores per year • Year 4-6 - Rs 5.40 crores per year • Year 7 - Rs 6.21 crores per year	Total cost of rental moratorium: **Rs 36.51 crores** (paid to **AAI** over 7 years)	NA
2	**Capital Investment Subsidy**	Capital Investment Subsidy (CIS) shall be given on total Fixed Capital Investment made within 7 years from the date of allotment of the facility to the MRO investor; @ 40 % of first Fixed Capital Investment (FCI) of Rs. 100 Cr on PariPassu basis, and then @ 30% (i.e. normal IPR rate) of FCI beyond Rs. 100 Cr. FCI, as a special case, shall include cost of construction of any building/hangar; in addition to cost of plants and machineries.	Total eligible CIS: **Rs 40 crores*** (Paid on Pari-Passu basis)	Total eligible CIS: **Rs 30 crores** (Paid in 5 equal annual instalments post-commissioning)
3	**Employment Subsidy**	Total of 100 skilled and semi-skilled workers shall be employed in the ratio of at least 20 women: 80 men for 5 years from commissioning. (For Odisha domicile workers only)	Total Employment Subsidy: **Rs. 3.72 crores****	NA
4	**Skill Development & Apprenticeship Incentive**	Apprentice opportunity for up to 100 male and 100 female workers of Odisha Domicile. Considering Apprenticeship Stipend of Rs. 5000 per month per apprentice to be paid for 2 years.	Apprenticeship Incentive: **Rs. 2.4 crores****	NA
5	**Certification Support**	EASA/FAA certification is done exclusively for the Odisha Facility	Certification Reimbursement: **Rs 1.5 Crore**	NA
Total Applicable Incentive			**Rs 54.13 Crore**	**Rs 30 Crore**

* INR 40 crores is as per pari-passu basis presuming that the Capital investment would be about INR 100 crores. Beyond this, the investments would be dealt as per IPR 2022.

** Shall be paid as per the actual number of employees engaged by the MRO operator. In the initial Phase, it is presumed that 100 highly skilled workers will be directly employed and up to 200 apprentice opportunities (monthly stipend of INR 5000) for skill development shall be provided by this MRO for the calculation purpose. Anymore employment would be encouraged further.

E. Proposal for consideration of the Cabinet

To facilitate the establishment of anchor MRO in Odisha (First in the State) at BijuPatnaik International Airport (BPIA), Bhubaneswar, the proposal is to extend additional incentives (as a special package) as recommended by the HLC as per IPR, 2022, as provided below:

#	Incentive Category	Proposed Special Incentives / Support for the Investment
1	**Exemption from Payment of Lease Rental**	**Lease rentals** to be paid to the Airport Authority of India (AAI) for leasing of the hangers and other facilities for setting-up of the MRO facility **shall be exempted for a period of 7 years from the allotment of the facilities to the investor**. The rental lease shall be paid by the Government of Odisha on behalf of the investor for the 7-year moratorium period. Beyond 7 years, the rental lease shall be payable by the investor at par with the applicable AAI rates, including any escalation.
2	**Capital Investment Subsidy**	Capital Investment Subsidy (CIS) shall be given on total Fixed Capital Investment made within 7 years from the date of allotment of the facility to the MRO investor; @ 40 % of first Fixed Capital Investment (FCI) of Rs. 100 Cr on PariPassu basis, and then @ 30% (i.e. normal IPR rate) of FCI beyond Rs. 100 Cr. FCI, as a special case, shall include cost of construction of any building/hangar; in addition to cost of plants and machineries.
3	**Employment Subsidy**	The investor shall be eligible for receiving an incentive of **Rs 7000 per female/transgender worker per month and Rs 6000 per male worker per month** for skilled and semi-skilled workers employed directly at the facility. This incentive shall be applicable for a **period of 5 years (60 months)** from the date of commencement of commercial operations (for Odisha domicile workers only).
4	**Skill Development & Apprenticeship Incentive**	**a. 100% of the prescribed stipend per month per apprentice shall be reimbursed** for the apprentices engaged in the MRO facility for a period of 2 years from the commencement of commercial operations. This incentive

		shall be applicable to Odisha domicile students only. **b*.** Further, as per the Skill Development scheme of the Govt of Odisha, the costs towards transportation, boarding, lodging and training of the first batch of 20 students shall be borne by the Government. The incentive will be applicable for students who will be trained for Aircraft Painting Sheet Metal works, and other relevant traits at Air Works' Training Facilities, and would be absorbed as apprentices at the Air Works Bhubaneswar facility as per the need.
5	**Certification Support**	**100%reimbursement of the fees paid towards EASA/FAA certification** of the facility up to a **limit of Rs 1.5 Crore.** **This amount can be reimbursed only the fee is paid within 1 year.**
6	**IPR 2022 Incentives**	The investor can avail of other **incentives applicable as per Odisha's Investment Policy Resolution (IPR) 2022,** based on the qualification of the eligibility criteria defined in the policy.
7	**Sub-leasing of the Facility**	Sub leasing of the facility to **subsidiaries/JVs of the investor** shall be permitted as per the policy of AAI and as mentioned in the Agreement.

*Under NuaOdisha Scheme of SD&TE Department

Cabinet approval has been obtained for the following:

i. Implementation of proposal to facilitate the establishment of anchor MRO in the State of Odisha with additional incentives as recommended by the High- Level Committee (HLC), detailed in para-E.

ii. Approval of the selection of **M/s. Air Works India (Engineering) Pvt. Ltd.** as recommended by High-Level Committee (HLC), to establish facilities for MRO services at Biju Patnaik International Airport (BPIA), Bhubaneswar.

iii. High Power Committee (HPC) on aviation of the Commerce & Transport Department, is authorized to monitor and take necessary steps to facilitate the expeditious establishment of MRO facility at Biju Patnaik International Airport (BPIA), Bhubaneswar, taking into account the benefits to the State.

ORDER: Ordered that the Resolution be published in the Extraordinary issue of the *Odisha Gazette* and copies of the Resolution to be forwarded to all Departments, all Heads of Departments and Accountant General, Odisha.

By Order of the Governor
USHA PADHEE
Principal Secretary to Government

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